

## Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AGR-20 SWF-02 CU-04 XMB-07 COME-00

SP-03 AID-20 EB-11 NSC-07 RSC-01 CIEP-02 SS-20 STR-08

OMB-01 CEA-02 FRB-02 OPIC-12 H-03 L-03 IGA-02 HEW-08

CIAE-00 INR-10 NSAE-00 DRC-01 /170 W  
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P 032113Z APR 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC PRIORITY 8039

AMEMBASSY PANAMA PRIORITY

TREAS DEPT WASHDC PRIORITY

C O N F I D E N T I A L SECTION 1 OF 2 SANTIAGO 1708

EO 11652: GDS

TAGS: EAID, EFIN, CI

SUBJ: DISCUSSION WITH CHILEANS ON US ECONOMIC ASSISTANCE

PANAMA PLEASE PASS TO SECRETARY SHULTZ' PARTY

REF: (A) SANTIAGO 1575; (B) SANTIAGO 1543

1. SUMMARY: CHILEAN AND AMERICAN REPRESENTATIVES MET APRIL 2 TO DISCUSS POSSIBLE AREAS OF US ECONOMIC ASSISTANCE DURING NEXT YEAR AND BEYOND. GOC PRESENTED LIST WITH SEVEN AREAS OF INTEREST: PL-480 TITLE I; IMPROVED FOOD DISTRIBUTION IN LOW-INCOME AREAS; RESEARCH CENTERS; EDUCATIONAL ASSISTANCE; EX-IM BANK LOAN; TECHNICAL ASSISTANCE; AND AGRICULTURAL DEVELOPMENT. US TEAM IDENTIFIED AREAS IN WHICH WE MIGHT BE HELPFUL BUT POINTED OUT TO CHILEANS DIFFICULTIES TO OUR ABILITY TO BE FORTHCOMING CAUSED BY DOMESTIC GOC MEASURES AFFECTING HUMAN RIGHTS, AND ACADEMIC FREEDOM. END SUMMARY

2. AMBASSADOR POPPER, ASSISTANT ADMINISTRATOR HERMAN KLEINE OF AID, DEPUTY ASSISTANT SECRETARY OF STATE SIDNEY WEINTRAUB, FRED LEVY OF TREASURY, ACTING AID MISSION DIRECTOR JUDD KESSLER, AND  
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ECONOMIC/COMMERCIAL COUNSELOR SAMUEL HART MET AT CHILEAN REQUEST

WITH MINISTER OF ECONOMY FERNANDO LENIZ, ECONOMIC ADVISER TO JUNTA RAUL ASAEZ AND MINISTRY OF ECONOMY ADVISER SERGIO DE CASTRO ON APR 2 TO DISCUSS SPECIFIC CHILEAN AID REQUESTS. FOLLOWING ARE SUBJECTS WHICH CHILEANS RAISED AND US RESPONSES:

(A) PL-480. SAEZ SAID FOOD IMPORT BILL WILL TOTAL APPROXIMATELY \$650 MILLION IN 1974. BALANCE OF PAYMENTS GAP TO BE COVERED BY ADDITIONAL INTERNATIONAL LENDING IS CURRENTLY CALCULATED AT ABOUT \$600 MILLION, BUT WILL BE LESS IF HIGH COPPER PRICES CONTINUE. (COMMENT: EMBASSY BELIEVES SAEZ FIGURE FOR BOP GAP IS ON HIGH SIDE. END COMMENT) AMBASSADOR TOLD CHILEANS THAT AID EXPECTED TO PRESENT TO CONGRESS SHORTLY FY 1975 PL-480 REQUEST WITH \$35 MILLION EARMARKED FOR CHILE. WE HOPED THIS WOULD BE ONLY AN INITIAL AMOUNT AND THAT ADDITIONAL PL-480 TITLE I ASSISTANCE WOULD BE AVAILABLE LATER IN YEAR.

(B) FOOD DISTRIBUTION. GOC IS TRYING TO DEVELOP PROGRAM TO ENSURE THAT ESSENTIAL FOOD PRODUCTS WILL BE RETAILED IN LOW-INCOME AREAS AT REASONABLE PRICES. IDEA IS TO REPLACE HEAVILY SUBSIDIZED DIRINCO (GOVERNMENT PRICE AND SUPPLY AGENCY) PROGRAM WITH PRIVATE SECTOR AND COOPERATIVE INITIATIVES SIMILAR TO UNICOOP-MINISTRY OF INTERIOR PROGRAM ALREADY UNDER WAY. GOC WAS SEEKING US TECHNICAL AND FINANCIAL ASSISTANCE IN ESTABLISHING NEIGHBORHOOD RETAIL OUTLETS. KESSLER SAID AID HAD ALREADY BECOME INVOLVED IN THIS EFFORT TO SMALL EXTENT BY PROVIDING TRUCKS AND TRAILERS. HE OFFERED TO GET TOGETHER WITH APPROPRIATE LOCAL OFFICIALS TO EXPLORE WHAT CAN BE DONE ADDITIONALLY.

(C) RESEARCH ASSISTANCE. CHILEANS WOULD LIKE US ASSISTANCE IN GETTING NORTH AMERICAN COMPANIES TO CREATE RESEARCH CENTERS IN CHILE TO LOOK INTO SUCH SUBJECTS AS POLLUTION, TELECOMMUNICATIONS, AND COPPER. THERE WAS NO DISCUSSION OF THIS BY EITHER SIDE.

(D) UNIVERSITY ASSISTANCE. GOC FEARS THAT LOSS OF ASSISTANCE FROM US FOUNDATIONS IN SUCH AREAS AS SCHOLARSHIPS, RESEARCH GRANTS: ETC., WILL DAMAGE CHILE'S EDUCATIONAL BASE. SAEZ NOTED FORD FOUNDATION WAS REDUCING CHILEAN OPERATIONS AND COMPLAINED THAT ONLY CHILEANS CURRENTLY ACCEPTABLE TO UNESCO-FINANCED EDUCATIONAL PROGRAMS ARE MARXISTS. HE ASKED US ASSISTANCE IN FINDING COMPENSATORY RESOURCES, NOT NECESSARILY FROM OFFICIAL

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FUNDS, TO FILL THIS GAP. AMBASSADOR POPPER EXPLAINED THAT CHILE WAS GOING TO HAVE DIFFICULTIES IN FINDING ASSISTANCE OF THIS TYPE BECAUSE, AMONG OTHER REASONS, US ACADEMIC COMMUNITY IS MUCH CONCERNED ABOUT ALLEGED LOSS OF ACADEMIC FREEDOM IN CHILE. THIS WAS ONLY ONE ASPECT OF WIDESPREAD CONCERN RE EVIDENCE OF HUMAN RIGHTS VIOLATIONS IN CHILE, WHICH HAD HAD APPRECIABLE IMPACT ON US CONGRESS. AMBASSADOR CITED SECTIONS 32 AND 35 OF FOREIGN ASSISTANCE ACT AS ILLUSTRATION OF DIFFICULTIES CREATED. SAEZ

SAID HE UNDERSTOOD THE PROBLEM AND ADMITTED SOME UNHAPPINESS OVER RECENT DISMISSAL OF TV CHANNEL 13 LEADERSHIP BY CATHOLIC UNIVERSITY RECTOR SWETT (REF B).

(E) EX-IM BANK. GOC WOULD LIKE EX-IM BANK TO FINANCE SPECIFIC PROJECTS. AMBASSADOR POPPER POINTED OUT THAT EX-IM WINDOW FOR SHORT AND MEDIUM-TERM GUARANTIES AND INSURANCE HAD BEEN REOPENED MARCH 27.

(F) TECHNICAL ASSISTANCE. GOC WANTS ADVISERS IN MARKETING IN USA, TAX POLICIES AND COLLECTION, AND STATISTICS. KLEINE SAID TECHNICAL ASSISTANCE IN LATTER TWO CATEGORIES WAS NO LONGER AN AID PRIORITY AREA AND THEREFORE OFFICIAL USG ASSISTANCE PROBABLY WOULD NOT BE AVAILABLE. IT WAS SUGGESTED, HOWEVER, THAT THE OAS HAS GOOD PROGRAMS IN THESE AREAS. RAUL SAEZ CONFIRMED THIS TO MINISTER LENIZ AND SUGGESTED GOC MOVE AHEAD THROUGH OAS CHANNELS. (COMMENT: THOUGH NOT MENTIONED IN MEETING, PROPOSED AID PROGRAM WOULD PROVIDE SOME ASSISTANCE IN MARKETING OF AGRICULTURAL EXPORTS. (END COMMENT)

(GL AGRICULTURAL DEVELOPMENT. SAEZ SAID CHILE'S NEED FOR AGRICULTURAL ASSISTANCE WAS ALMOST UNLIMITED. IN ADDITION TO RECENTLY SIGNED \$22 MILLION LOAN FROM IDB, CHILE IS SEEKING HELP FROM AID AND IBRD. AMBASSADOR MENTIONED THAT AID FY 1975 CONGRESSIONAL PRESENTATION WOULD CONTAIN ABOUT \$25 MILLION IN LOANS FOR CHILE WITH EMPHASIS IN AGRICULTURE AND NUTRITION.

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ACTION ARA-20

INFO OCT-01 ISO-00 AGR-20 SWF-02 CU-04 XMB-07 COME-00

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CIAE-00 INR-10 NSAE-00 DRC-01 /170 W

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P 032113Z APR 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC PRIORITY 8041

AMEMBASSY PANAMA PRIORITY

TREAS DEPT WASHDC PRIORITY

C O N F I D E N T I A L SECTION 2 OF 2 SANTIAGO 1708

EO 11652: GDS

TAGS: EAID, EFIN, CI

SUBJ: DISCUSSION WITH CHILEANS ON US ECONOMIC ASSISTANCE

3. AMBASSADOR POPPER INFORMED CHILEANS THAT IN ADDITION TO ASSISTANCE MENTIONED ABOVE, US EXPECTED SHORTLY TO ACT FAVORABLY ON CHILEAN REQUEST FOR SPECIAL SCRAP IRON ALLOCATION. HE AND KLEINE ALSO EXPLAINED THAT AID WAS HOPING TO REOPEN ITS HOUSING GUARANTY PROGRAM IN CHILE DURING FY 1975. THERE WAS GENERAL AGREEMENT THAT BOTH CHILEAN AND US HOUSING EXPERTS HAVE A GOOD DEAL OF WORK TO DO BEFORE HOUSING PROGRAMS CAN BE PUT TOGETHER WHICH WOULD HELP THE LOWER END OF THE ECONOMIC SPECTRUM.

4. WEINTRAUB RECALLED THAT DURING FEBRUARY CIAP REVIEW IDEA WAS BROACHED OF AN AID TO CHILE CONSORTIUM OR CONSULTATIVE GROUP. SAEZ SAID HE WOULD TALK TO IBRD PRES MCNAMARA TO SEE IF BANK WOULD ORGANIZE SUCH A GROUP. IT MIGHT BE JUST FOR AGRICULTURAL ASSISTANCE OR TO COORDINATE ALL CHILE'S FOREIGN ASSISTANCE. WEINTRAUB SUGGESTED THAT THE COLOMBIAN EXPERIENCE MIGHT OFFER USEFUL MODEL. A CONSULTATIVE GROUP, ACCORDING TO SAEZ, COULD BE PARTICULARLY HELPFUL IN MOVING ALONG THE TOTAL ADMINISTRATIVE REORGANIZATION IN AGRICULTURE WHICH HE BELIEVED NECESSARY. CONFIDENTIAL

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5. AMB POPPER SAID HE WAS PLEASED THAT THE CERRO AGREEMENT HAD BEEN SIGNED AND THAT TALKS WITH KENNECOTT AND ANACONDA WERE IN PROGRESS. HE EMPHASIZED THE NEED FOR CONTINUING MOMENTUM ON THE RESOLUTION OF THESE AND OTHER COMPENSATION PROBLEMS.

6. AMB POPPER ASKED WHETHER MINISTER OF MINES YOVANE'S RECENT PRESS STATEMENT ABOUT CHILE JOINING WITH OTHER CIPEC (COPPER EXPORTERS ASSOCIATION) MEMBERS TO CONTROL COPPER PRICES AND USE COPPER AS A POLITICAL WEAPON WAS GOC POLICY. HE NOTED THAT AFTER OUR EXPERIENCE WITH OIL EMBARGO, WE WERE NOT EXACTLY ENAMORED OF SUCH DEVICES. MINISTER LENIZ SAID THAT YOVANE'S VIEWS WERE PERSONAL AND WERE NOT GOVERNMENT POLICY. SAEZ SAID THAT VENEZUELAN PRES PEREZ HAD PROPOSED A COMMISSION TO STUDY LATIN AMERICAN RAW MATERIALS EXPORTS AND GOC WOULD GO ALONG WITH THIS. CARTEL ARRANGEMENT, SAEZ SAID, WAS NOT "IN THE ESSENCE OF GOC POLICY" ALTHOUGH CHILE MUST BE CONCERNED WITH MECHANISMS TO RECEIVE FAIR PRICE FOR ITS EXPORTS. LENIZ COMMENTED THAT CHILE'S PARTNERS IN CIPEC WOULD NOT BE VERY RELIABLE IN CARTEL AGREEMENT.

7. COMMENT: THIS MEETING PROVIDED USEFUL OPPORTUNITY TO BRING CHILEANS UP TO DATE ON VARIOUS OF THEIR OUTSTANDING REQUESTS--

OPPORTUNITY WE COULD NOT HAVE EXPLOITED SO EFFECTIVELY IS  
SECRETARY SHULTZ HAD NOT SIMULTANEOUSLY BEEN TALKING WITH CHIL-  
EAN LEADERS AT IDB GOVERNORS' MEETING. CHILEANS WERE MADE FULLY  
AWARE THAT THEIR DESIRES TO OBTAIN US ASSISTANCE EXCEEDED OUR  
ABILITY TO RESPOND. NEVERTHELESS, THEY SEEMED PLEASED THAT US WAS  
MOVING AHEAD WITH ASSISTANCE PACKAGE OF SIGNIFICANT PROPORTIONS.  
POPPER

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## Message Attributes

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**Draft Date:** 03 APR 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
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**Disposition History:** n/a  
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**Enclosure:** n/a  
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**Office:** ACTION ARA  
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**Original Handling Restrictions:** n/a  
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**Page Count:** 5  
**Previous Channel Indicators:**  
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**Previous Handling Restrictions:** n/a  
**Reference:** (A) SANTIAGO 1575; (B) SANTIAGO 1543  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 08 MAY 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <08 MAY 2002 by cunninfx>; APPROVED <24 FEB 2003 by GolinoFR>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** DISCUSSION WITH CHILEANS ON US ECONOMIC ASSISTANCE PANAMA PLEASE PASS TO SECRETARY SHULTZ' PARTY  
**TAGS:** EAID, EFIN, CI, US, CIPEC  
**To:** STATE TRSY  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005